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# ANNUAL REPORT

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*Commonwealth of Virginia  
Health Benefits Program*

*December 2000*

# Introduction

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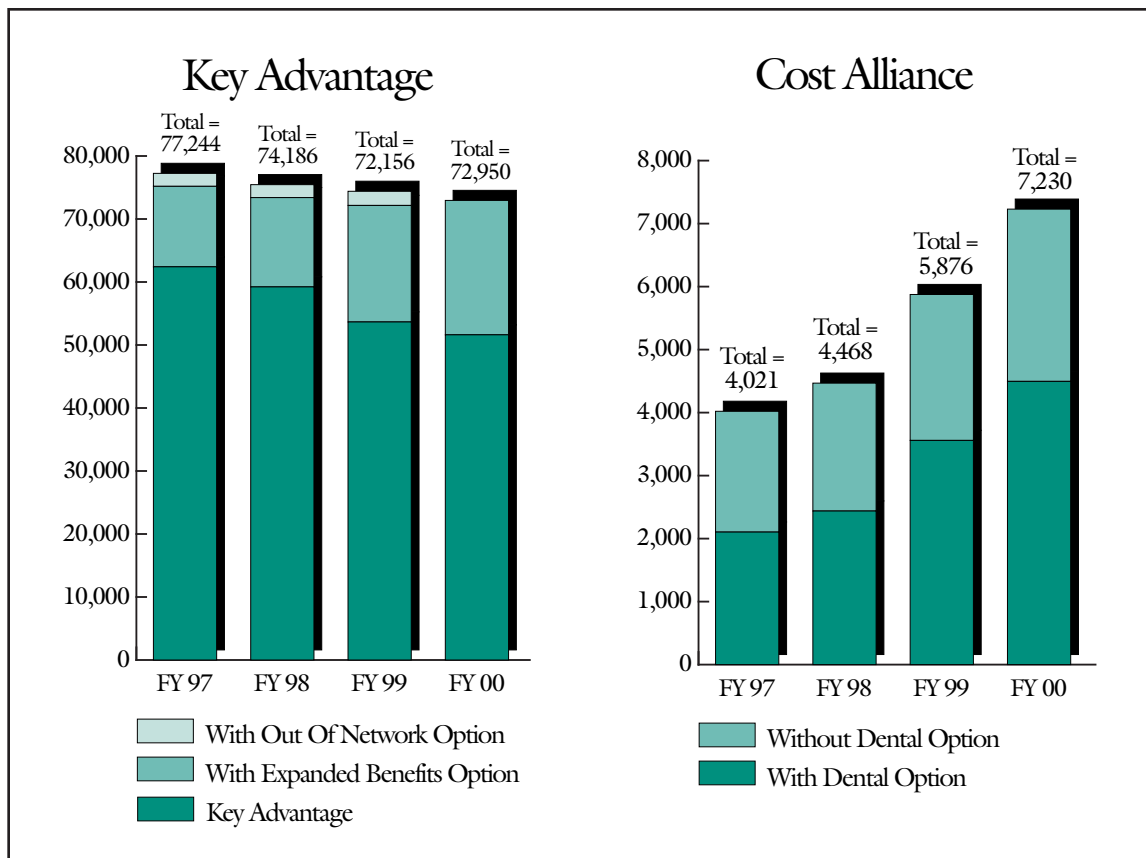
This report is a financial snapshot of the self-insured health benefits plans for the active employee and non-Medicare retiree group during fiscal year 2000 (July 1, 1999 through June 30, 2000). Note that most of the data you will see reflects the combined operations of Key Advantage and Cost Alliance because these plans are evaluated together as if they were one plan.

# Enrollment

The charts below show the total enrollment in the Key Advantage and Cost Alliance plans for fiscal years 1997 through 2000.

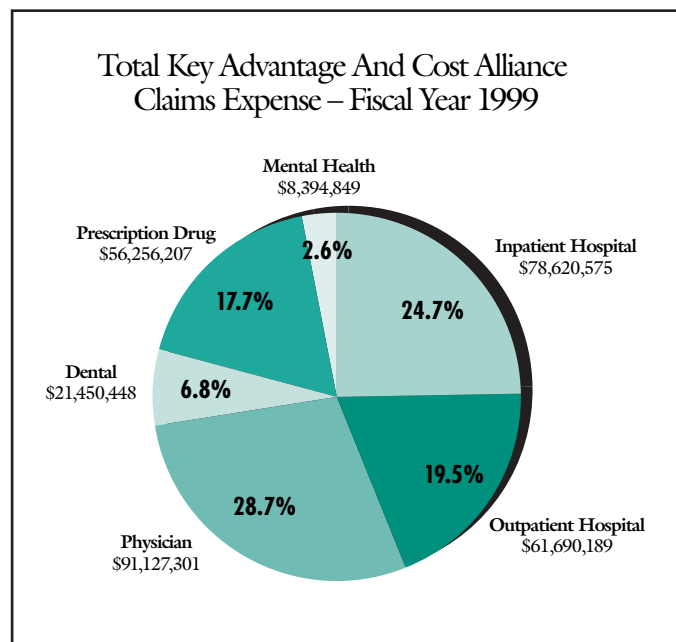
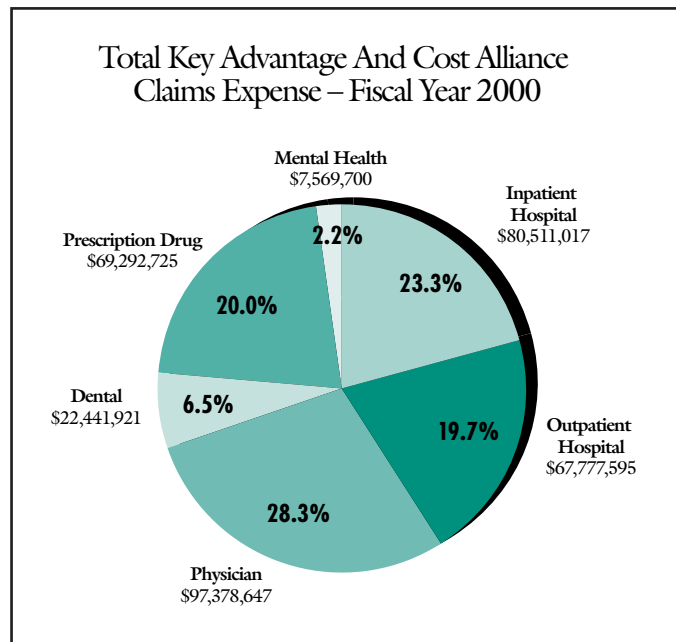
## *Employees Enrolled In Key Advantage And Cost Alliance*

Fiscal Years 1997 through 2000



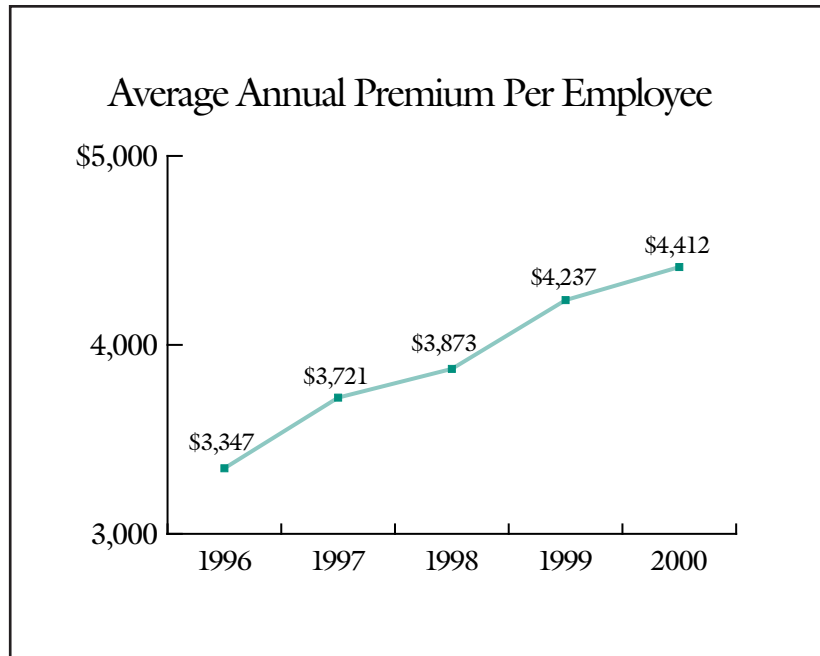
# Claims and Utilization

The amount of claims paid for each component of the program is shown below for fiscal years 1999 and 2000.



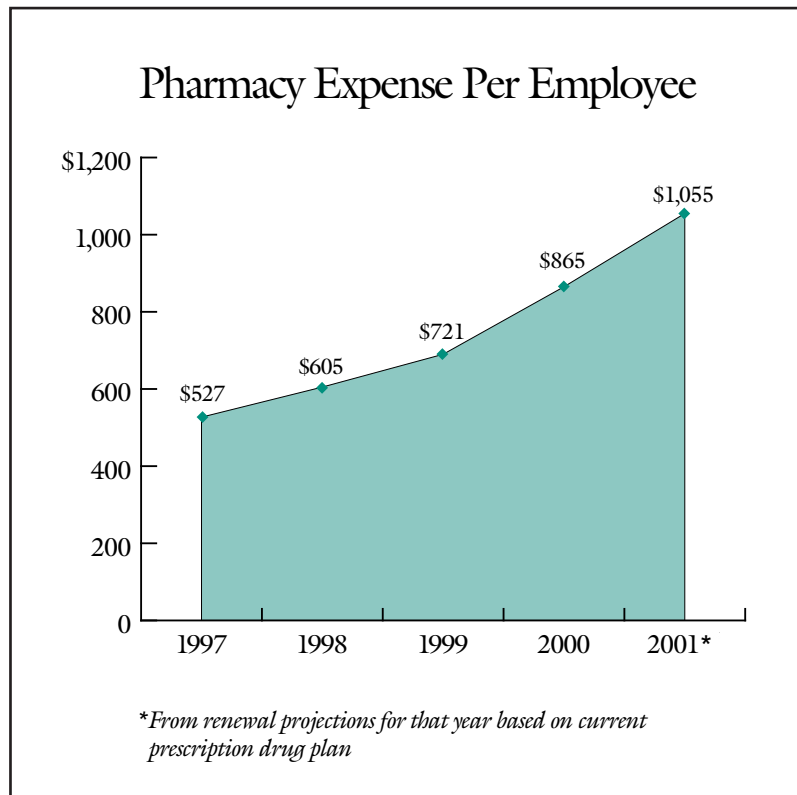
The cost of providing coverage is rising. For example, in 1996, the average annual premium for Key Advantage and Cost Alliance was \$3,347. In 2000, the cost rose to \$4,412, an increase of almost 32% since 1996.

The average annual premiums shown cover the costs for medical, dental, outpatient prescription drug, and mental health/substance abuse coverage.



## Prescription Drug Benefit

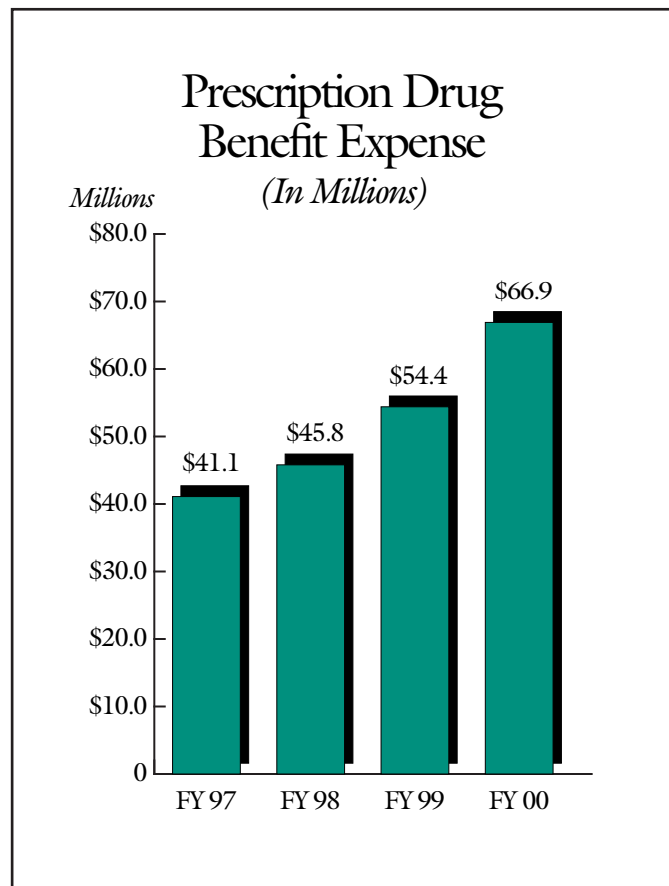
Increases in outpatient prescription drug costs have far outpaced other medical costs. This presents a difficult challenge as we strive to balance costs and benefits, and maintain a solid health benefits program. Left unchanged, and conservatively assuming current trends, it is projected that drug costs will increase to approximately \$1,055 per employee, per year by 2001.



### Prescription Drug Benefit

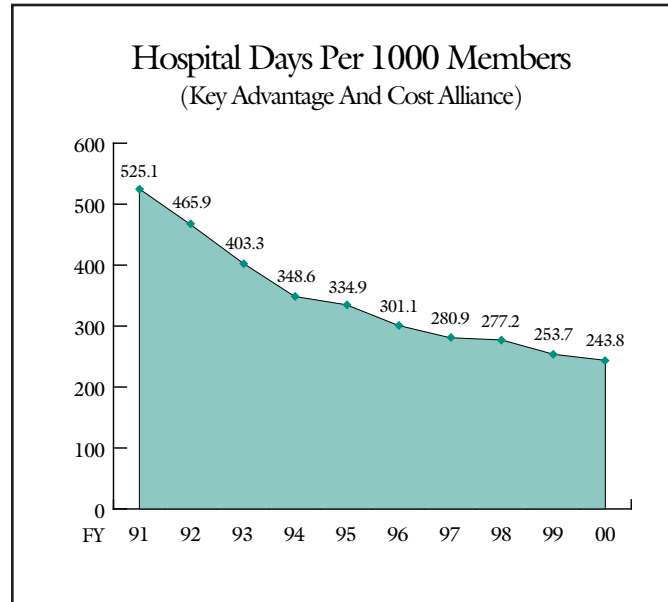
This chart illustrates how prescription drug expenses are increasing at an alarming rate. Drug costs for State employees have increased 63% since 1997.

This chart reflects only those expenses under the outpatient prescription drug card program, and does not include the cost of drugs provided in the hospital for inpatient care.

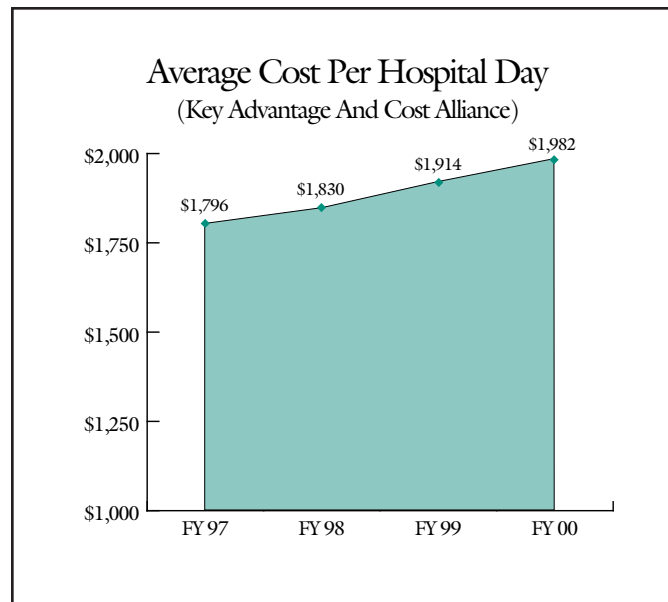


### Inpatient Facility

As you can see from the chart below, our hospital days per thousand members have been going down. This reflects the positive effects of reducing the number of hospital days used. However, the cost per hospital day has been going up at a rate which has frustrated efforts to control costs.



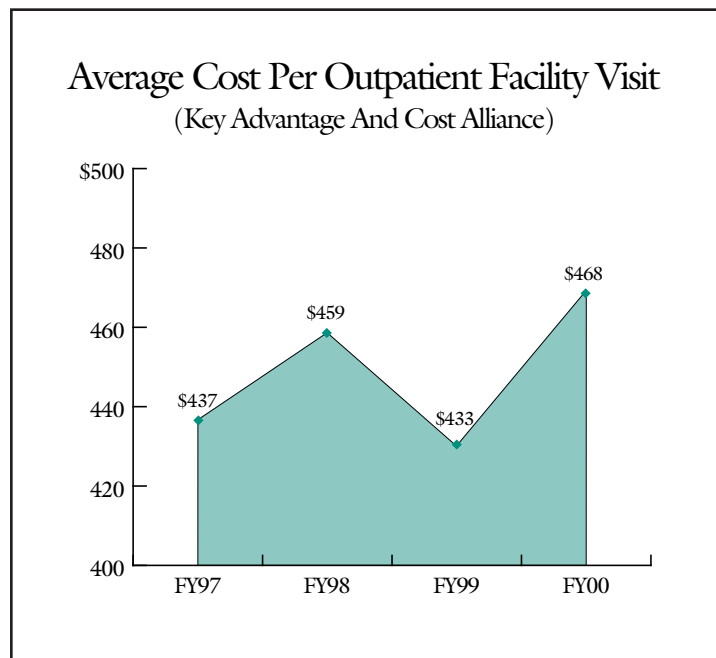
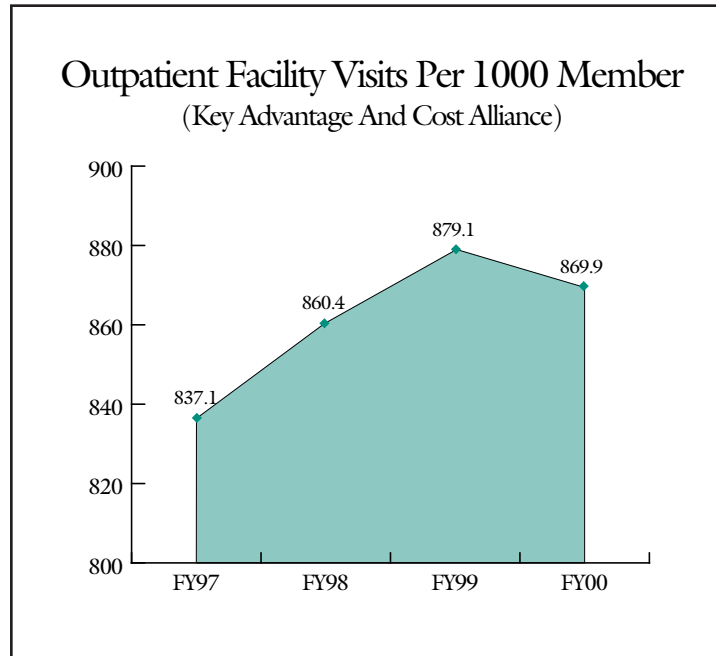
The average cost per hospital day reflects a net cost including the network facility discount. Costs have been climbing steadily each year.





### Outpatient Facility

While the number of outpatient visits declined slightly for 2000, the cost per visit increased by 8%.

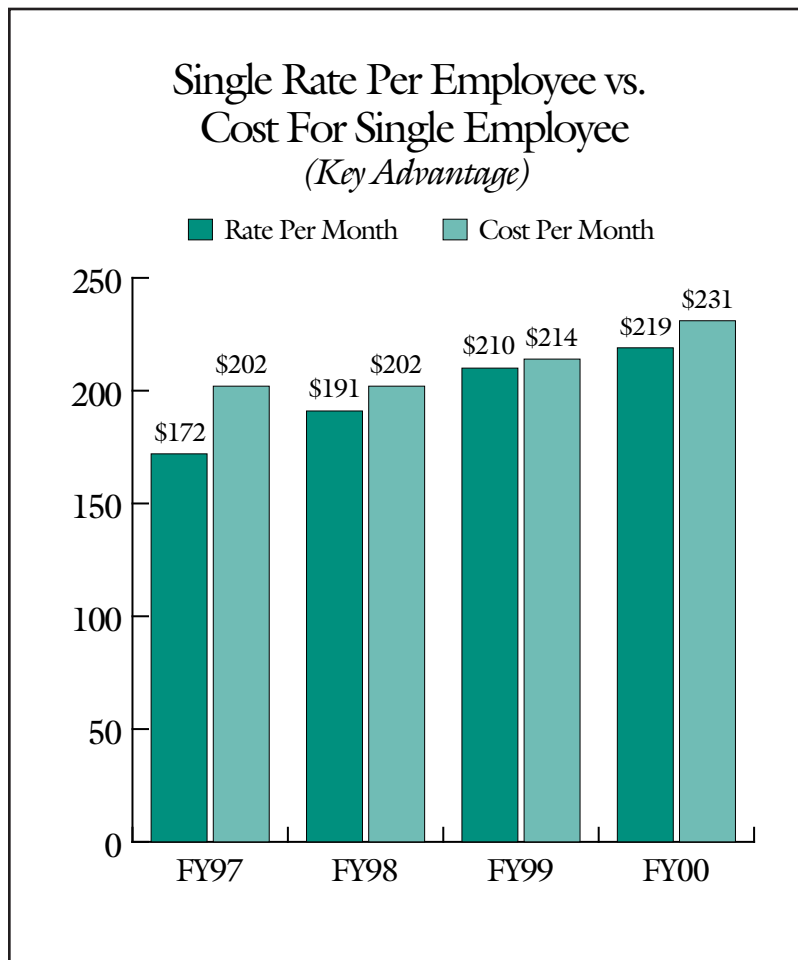


# Focus On Key Advantage

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This chart compares the monthly rate paid per employee for Key Advantage coverage versus the cost to provide the coverage each month. The rate reflects how much money was actually put into the plan, and the cost reflects the total

expenses to operate the plan. The cost to operate the plan is greater than the amount of money in the plan, creating a deficit. Eventually, a deficit must be paid through higher premiums.

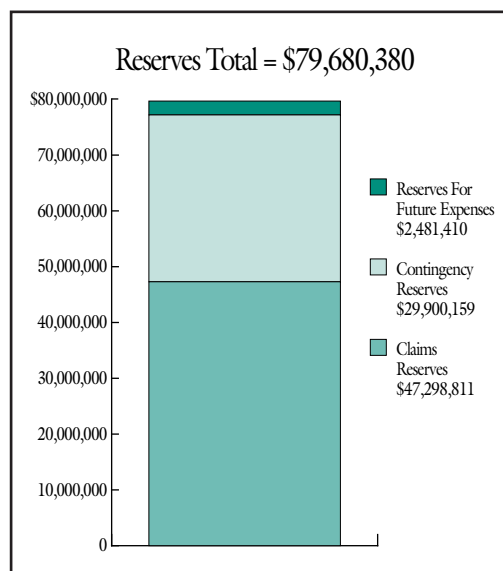
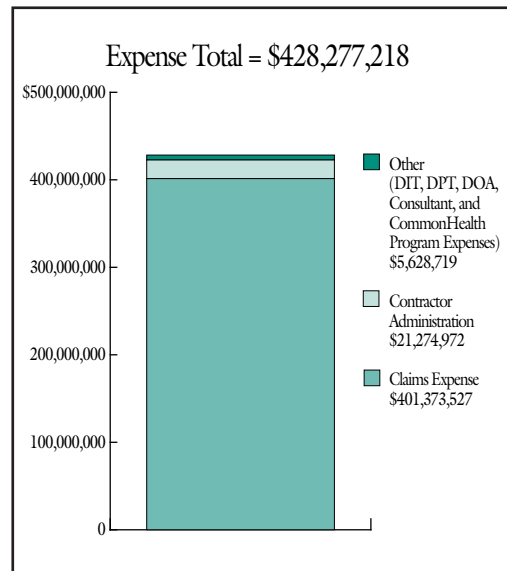
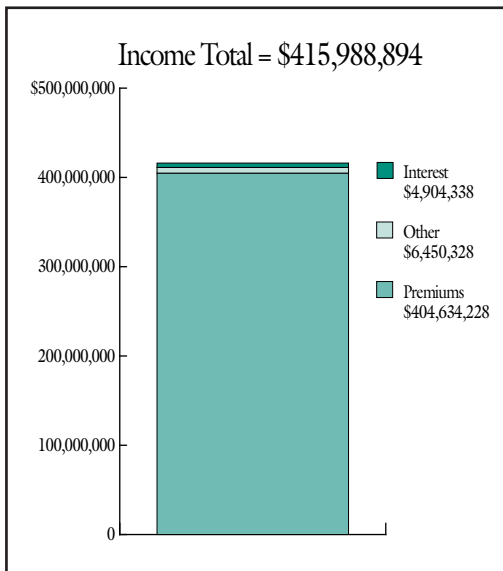


# Operating Statement

The following charts show the self-insured program income and expense for fiscal years 2000 and 1999. Also shown are total program reserves. These reserves are monies that have been set aside in a special account for the specific purpose of funding claims payments and future health benefits.

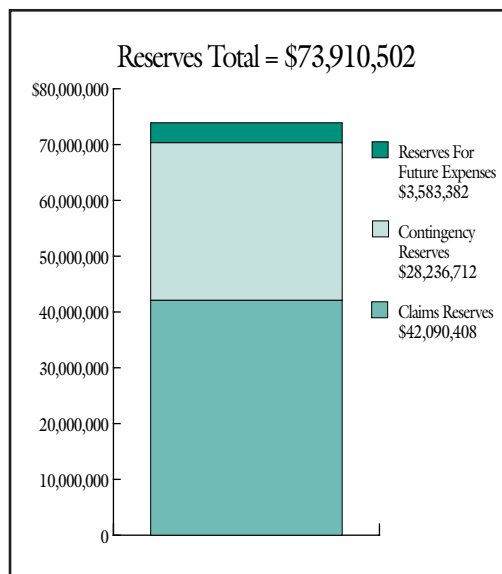
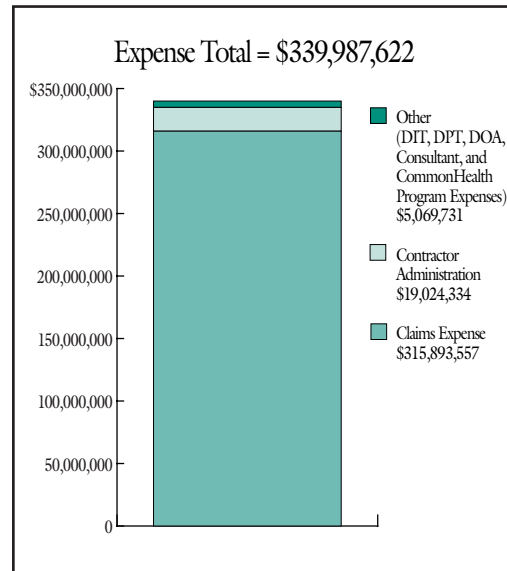
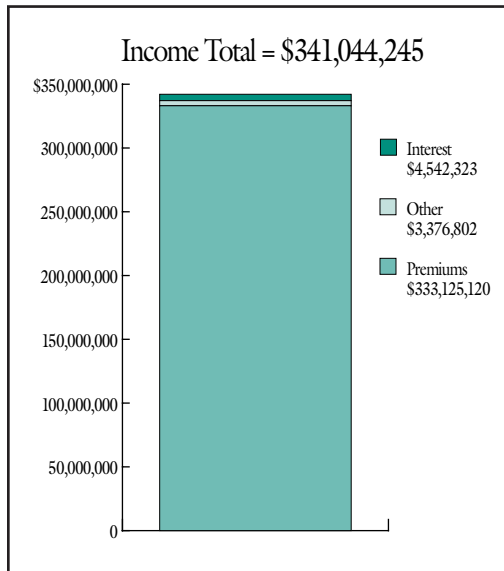
*Fiscal Year*  
*July 1, 1999 – June 30, 2000*

Premiums provided the major part, 97%, of our income. Claims payments represented nearly 94% of our expenses.



*Fiscal Year*  
*July 1, 1998 – June 30, 1999*

Premiums provided the major part, 98%, of our income. Claims payments represented nearly 93% of our expenses.

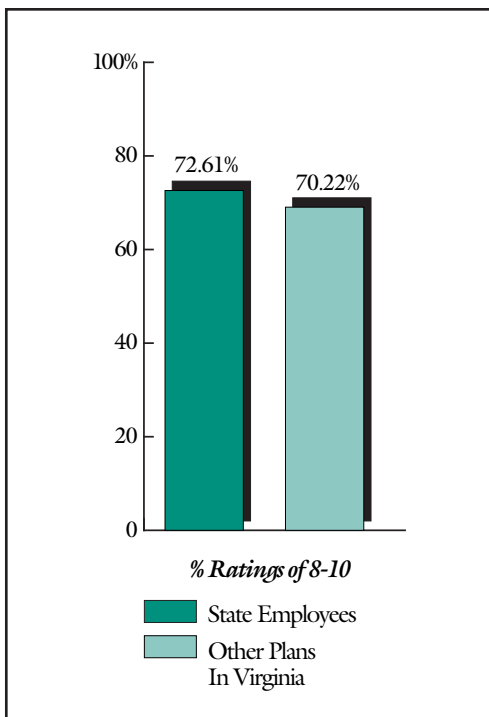


# Employee Satisfaction

It is important to know what employees think about their health benefits program. That's why periodically we conduct surveys to measure their level of satisfaction. The charts below show how State employees rate the plans according to the standard HEDIS NCQA Annual Member HealthCare Survey. The survey was conducted February through May 2000.

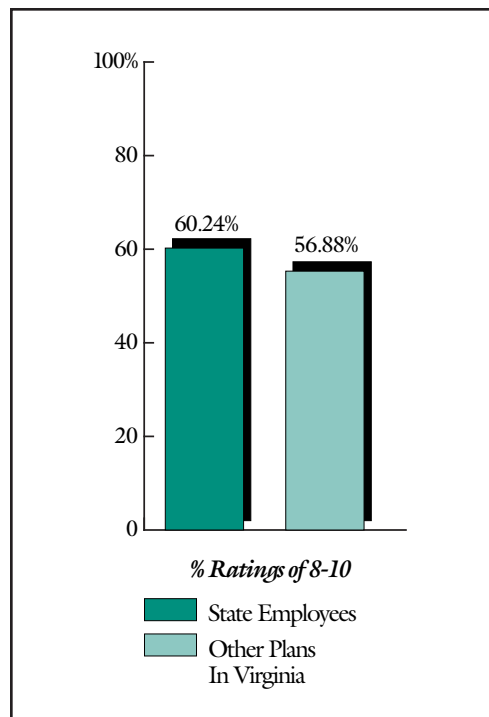
## *How Would You Rate All Your Health Care?*

Use any number between 1 to 10, where 0 is the worst care possible, and 10 is the best care possible.



## *How Would You Rate Your Health Plan Now?*

Use any number from 1 to 10, where 0 is the worst health plan possible, and 10 is the best health plan possible.



## *Access To Care*

<i>Getting a referral to a specialist I needed was not a problem.</i>	80.55%
<i>Getting the care that I or a doctor believed necessary was not a problem.</i>	86.78%
<i>Delays in health care while I waited for approval from my health plan was not a problem.</i>	83.95%

